

**APPENDIX C**  
**AUDITED FINANCIAL STATEMENTS OF THE COUNTY**



## Partners

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## INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors  
County of San Bernardino, California

We have audited the accompanying general-purpose financial statements of the County of San Bernardino, California (County), as of and for the year ended June 30, 1999, as listed in the accompanying table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the County as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 1999 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts and grants.

The Disclosure About the Year 2000 Issue on page 63 is not a required part of the general-purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the County is or will become year 2000 compliant, the County's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the County does business are or will become year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole.

## OFFICE LOCATIONS

Sacramento • Los Angeles • San Francisco Bay Area

The statistical section listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the County. Such additional information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion thereon.

*Macias, Gini & Company LLP*

Certified Public Accountants

Los Angeles, California  
November 30, 1999

COUNTY OF SAN BERNARDINO  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999 (IN THOUSANDS)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE
<b>ASSETS AND OTHER DEBITS</b>					
ASSETS:					
CASH AND CASH EQUIVALENTS (NOTE 2)	\$ 3,030	\$ 100,627	\$ 6,262	\$ 1,534	\$ 24,931
INVESTMENTS (NOTE 2)	-	-	233,586	9,187	57,448
ACCOUNTS RECEIVABLE - NET	1,947	442	-	-	26,911
TAXES RECEIVABLE	3,535	363	-	-	1,017
INTEREST RECEIVABLE	3,209	21	2,319	143	1,240
LOANS RECEIVABLE	1,091	-	-	-	-
OTHER RECEIVABLES	4,272	97	-	-	-
DUE FROM OTHER FUNDS (NOTE 3)	14,929	14,975	-	4,235	1,996
DUE FROM OTHER GOVERNMENTS	111,051	4,344	-	1,870	29,532
INVENTORIES	1,033	613	-	-	1,895
PREPAID ITEMS	498	33	-	-	1,802
DEFERRED CHARGES	-	-	-	-	282
ADVANCES TO OTHER FUNDS (NOTE 3)	775	303	-	-	43,547
RESTRICTED CASH AND CASH EQUIVALENTS (NOTES 2 & 4)	202,250	38	-	-	27,222
OTHER ASSETS	-	962	-	-	12,863
FIXED ASSETS - NET (NOTE 5)	-	-	-	-	727,577
OTHER DEBITS:					
AMOUNT AVAILABLE IN DEBT SERVICE FUND	-	-	-	-	-
AMOUNT TO BE PROVIDED FOR LONG-TERM OBLIGATIONS	-	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 347,620</u>	<u>\$ 122,818</u>	<u>\$ 242,167</u>	<u>\$ 16,969</u>	<u>\$ 958,263</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>					
LIABILITIES:					
ACCOUNTS PAYABLE	\$ 10,373	\$ 4,063	\$ -	\$ 192	\$ 23,964
SALARIES AND BENEFITS PAYABLE	16,990	3,040	-	-	2,787
DUE TO OTHER FUNDS (NOTE 3)	8,351	3,140	-	2,896	20,597
DUE TO OTHER GOVERNMENTS	23,844	4,459	3	-	-
INTEREST PAYABLE	2,250	53	9	-	15,447
OTHER ACCRUED LIABILITIES	59	112	-	-	-
DEFERRED REVENUE	5,551	2,060	-	1,250	-
ADVANCES FROM OTHER FUNDS (NOTE 3)	-	2,428	43,547	3	4,076
ESTIMATED LIABILITY FOR LITIGATION	-	-	-	-	-
AND SELF-INSURED CLAIMS (NOTES 6 & 7)	-	-	-	-	-
EMPLOYEE COMPENSATED ABSENCES (NOTE 7)	-	-	-	-	5,062
BONDS AND NOTES PAYABLE (NOTE 7)	200,000	-	20	-	669,568
CAPITAL LEASE OBLIGATIONS (NOTES 7 & 10)	-	-	-	-	2,981
ESTIMATED LIABILITY FOR CLOSURE/	-	-	-	-	-
POSTCLOSURE CARE COSTS (NOTE 19)	-	-	-	-	172,981
OTHER LONG-TERM LIABILITIES (NOTE 7)	-	-	-	-	-
TOTAL LIABILITIES	<u>267,418</u>	<u>19,355</u>	<u>43,579</u>	<u>4,341</u>	<u>917,463</u>
EQUITY (DEFICIT) AND OTHER CREDITS:					
INVESTMENT IN GENERAL FIXED ASSETS	-	-	-	-	-
CONTRIBUTED CAPITAL (NOTE 11)	-	-	-	-	81,480
RETAINED EARNINGS (DEFICIT) (NOTE 12):					
RESERVED (NOTE 13)	-	-	-	-	45,368
UNRESERVED	-	-	-	-	(86,048)
FUND BALANCE:					
RESERVED (NOTE 13)	17,414	15,699	198,588	2,046	-
UNRESERVED:					
DESIGNATED (NOTE 13)	46,390	8,501	-	-	-
UNDESIGNATED	16,398	79,263	-	10,582	-
TOTAL EQUITY AND OTHER CREDITS	<u>80,202</u>	<u>103,463</u>	<u>198,588</u>	<u>12,628</u>	<u>40,800</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 347,620</u>	<u>\$ 122,818</u>	<u>\$ 242,167</u>	<u>\$ 16,969</u>	<u>\$ 958,263</u>

PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)	
INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT		ASSETS AND OTHER DEBITS
\$ 47,437	\$ 1,256,933	\$ -	\$ -	\$ 1,440,754	ASSETS:
-	3,695,040	-	-	3,995,261	CASH AND CASH EQUIVALENTS (NOTE 2)
27	30,111	-	-	59,438	INVESTMENTS (NOTE 2)
-	110,128	-	-	115,043	ACCOUNTS RECEIVABLE - NET
193	14,715	-	-	21,840	TAXES RECEIVABLE
-	-	-	-	1,091	INTEREST RECEIVABLE
-	-	-	-	4,369	LOANS RECEIVABLE
1,396	31,473	-	-	69,004	OTHER RECEIVABLES
559	2,923	-	-	150,279	DUE FROM OTHER FUNDS (NOTE 3)
1,984	-	-	-	5,525	DUE FROM OTHER GOVERNMENTS
2,547	-	-	-	4,880	INVENTORIES
426	-	-	-	708	PREPAID ITEMS
5,204	250	-	-	50,079	DEFERRED CHARGES
-	-	-	-	229,510	ADVANCES TO OTHER FUNDS (NOTE 3)
388	-	-	-	14,213	RESTRICTED CASH AND CASH EQUIVALENTS (NOTES 2 & 4)
14,886	-	703,606	-	1,446,069	OTHER ASSETS
-	-	-	198,588	198,588	FIXED ASSETS - NET (NOTE 5)
-	-	-	716,993	716,993	OTHER DEBITS:
					AMOUNT AVAILABLE IN DEBT SERVICE FUND
					AMOUNT TO BE PROVIDED FOR LONG-TERM OBLIGATIONS
<u>\$ 75,047</u>	<u>\$ 5,141,573</u>	<u>\$ 703,606</u>	<u>\$ 915,581</u>	<u>\$ 8,523,644</u>	TOTAL ASSETS AND OTHER DEBITS
					LIABILITIES, EQUITY AND OTHER CREDITS
\$ 2,082	\$ 705,434	\$ -	\$ -	\$ 746,108	LIABILITIES:
818	-	-	-	23,635	ACCOUNTS PAYABLE
516	33,504	-	-	69,004	SALARIES AND BENEFITS PAYABLE
-	430,410	-	-	458,716	DUE TO OTHER FUNDS (NOTE 3)
-	-	-	-	17,759	DUE TO OTHER GOVERNMENTS
-	-	-	-	171	INTEREST PAYABLE
201	-	-	-	9,062	OTHER ACCRUED LIABILITIES
25	-	-	-	50,079	DEFERRED REVENUE
50,615	-	-	1,197	51,812	ADVANCES FROM OTHER FUNDS (NOTE 3)
2,382	-	-	70,423	77,867	ESTIMATED LIABILITY FOR LITIGATION
-	-	-	841,756	1,711,344	AND SELF-INSURED CLAIMS (NOTES 6 & 7)
1,374	-	-	1,779	6,134	EMPLOYEE COMPENSATED ABSENCES (NOTE 7)
-	-	-	-	172,981	BONDS AND NOTES PAYABLE (NOTE 7)
-	-	-	426	426	CAPITAL LEASE OBLIGATIONS (NOTES 7 & 10)
58,013	1,169,348	-	915,581	3,395,098	ESTIMATED LIABILITY FOR CLOSURE/
-	-	703,606	-	703,606	POSTCLOSURE CARE COSTS (NOTE 19)
1,745	-	-	-	83,225	OTHER LONG-TERM LIABILITIES (NOTE 7)
7,974	-	-	-	53,342	TOTAL LIABILITIES
7,315	-	-	-	(78,733)	EQUITY (DEFICIT) AND OTHER CREDITS:
-	3,970,814	-	-	4,204,561	INVESTMENT IN GENERAL FIXED ASSETS
-	-	-	-	54,891	CONTRIBUTED CAPITAL (NOTE 11)
-	1,411	-	-	107,654	RETAINED EARNINGS (DEFICIT) (NOTE 12):
17,034	3,972,225	703,606	-	5,128,546	RESERVED (NOTE 13)
<u>\$ 75,047</u>	<u>\$ 5,141,573</u>	<u>\$ 703,606</u>	<u>\$ 915,581</u>	<u>\$ 8,523,644</u>	UNRESERVED
					FUND BALANCE:
					RESERVED (NOTE 13)
					UNRESERVED:
					DESIGNATED (NOTE 13)
					UNDESIGNATED
					TOTAL EQUITY AND OTHER CREDITS
					TOTAL LIABILITIES, EQUITY AND OTHER CREDITS

SEE ACCOMPANYING NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

COUNTY OF SAN BERNARDINO  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
YEAR ENDED JUNE 30, 1999 (IN THOUSANDS)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES:			
TAXES	\$ 197,673	\$ 64,668	\$ -
LICENSES, PERMITS AND FRANCHISES	13,884	195	-
FINES, FORFEITURES AND PENALTIES	12,274	6,662	-
REVENUES FROM USE OF MONEY AND PROPERTY	30,795	6,123	17,347
AID FROM OTHER GOVERNMENTAL AGENCIES	851,983	134,921	-
CHARGES FOR CURRENT SERVICES	213,775	17,690	-
OTHER REVENUES	9,285	8,327	-
TOTAL REVENUES	1,329,669	238,586	17,347
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	76,108	4,115	-
PUBLIC PROTECTION	366,923	73,051	-
PUBLIC WAYS AND FACILITIES	2,087	33,013	-
HEALTH AND SANITATION	248,338	7,884	-
PUBLIC ASSISTANCE	570,680	76,208	-
EDUCATION	1,404	8,676	-
RECREATION AND CULTURAL SERVICES	7,996	3,935	-
DEBT SERVICE:			
PRINCIPAL	1,149	1,300	26,338
INTEREST AND FISCAL CHARGES	9,999	294	28,869
CAPITAL OUTLAY	8,482	9,104	-
TOTAL EXPENDITURES	1,293,166	217,580	55,207
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	36,503	21,006	(37,860)
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFERS TO OTHER FUNDS (NOTE 3)	(30,828)	(19,522)	(5,563)
OPERATING TRANSFERS FROM OTHER FUNDS (NOTE 3)	10,111	4,625	38,610
INCEPTION OF CAPITAL LEASE OBLIGATIONS (NOTES 7 & 10)	273	575	-
SALE OF FIXED ASSETS	892	523	-
OTHER	-	-	(4,906)
TOTAL OTHER FINANCING SOURCES (USES)	(19,552)	(13,799)	28,141
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	16,951	7,207	(9,719)
FUND BALANCE, JULY 1, 1998	63,251	96,256	327,125
RESIDUAL EQUITY TRANSFERS TO OTHER FUNDS (NOTE 3)	-	-	(118,818)
FUND BALANCE, JUNE 30, 1999 (NOTE 15)	\$ 80,202	\$ 103,463	\$ 198,588

GOVERNMENTAL FUND TYPES	FIDUCIARY FUND TYPE		
CAPITAL PROJECTS	EXPENDABLE TRUST	TOTAL (MEMORANDUM ONLY)	
\$ 4	\$ -	\$ 262,345	REVENUES:
-	-	14,079	TAXES
-	-	18,936	LICENSES, PERMITS AND FRANCHISES
684	77	55,026	FINES, FORFEITURES AND PENALTIES
5,925	-	992,829	REVENUES FROM USE OF MONEY AND PROPERTY
8	13	231,486	AID FROM OTHER GOVERNMENTAL AGENCIES
-	1,504	19,116	CHARGES FOR CURRENT SERVICES
6,621	1,594	1,593,817	OTHER REVENUES
			TOTAL REVENUES
-	-	80,223	EXPENDITURES:
-	-	439,974	CURRENT:
-	-	35,100	GENERAL GOVERNMENT
-	-	256,222	PUBLIC PROTECTION
-	-	646,888	PUBLIC WAYS AND FACILITIES
-	1,201	11,281	HEALTH AND SANITATION
-	-	11,931	PUBLIC ASSISTANCE
-	-	28,787	EDUCATION
-	-	39,162	RECREATION AND CULTURAL SERVICES
13,460	-	31,046	DEBT SERVICE:
13,460	1,201	1,580,614	PRINCIPAL
(6,839)	393	13,203	INTEREST AND FISCAL CHARGES
			CAPITAL OUTLAY
			TOTAL EXPENDITURES
			EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES
-	-	(55,913)	OTHER FINANCING SOURCES (USES):
4,171	-	57,517	OPERATING TRANSFERS TO OTHER FUNDS (NOTE 3)
-	-	848	OPERATING TRANSFERS FROM OTHER FUNDS (NOTE 3)
-	-	1,415	INCEPTION OF CAPITAL LEASE OBLIGATIONS (NOTES 7 & 10)
-	-	(4,906)	SALE OF FIXED ASSETS
4,171	-	(1,039)	OTHER
			TOTAL OTHER FINANCING SOURCES (USES)
(2,668)	393	12,164	EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES
72,077	1,465	560,174	FUND BALANCE, JULY 1, 1998
(56,781)	-	(175,599)	RESIDUAL EQUITY TRANSFERS TO OTHER FUNDS (NOTE 3)
\$ 12,628	\$ 1,858	\$ 396,739	FUND BALANCE, JUNE 30, 1999 (NOTE 15)

SEE ACCOMPANYING NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

COUNTY OF SAN BERNARDINO  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL ON BUDGETARY BASIS  
GENERAL FUND, CERTAIN SPECIAL REVENUE FUNDS, AND CERTAIN CAPITAL PROJECTS FUNDS  
YEAR ENDED JUNE 30, 1999 (IN THOUSANDS)

	GENERAL FUND		
	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
TAXES	\$ 196,044	\$ 197,673	\$ 1,629
LICENSES, PERMITS AND FRANCHISES	14,415	13,884	(531)
FINES, FORFEITURES AND PENALTIES	11,846	12,274	428
REVENUES FROM USE OF MONEY AND PROPERTY	31,544	30,795	(749)
AID FROM OTHER GOVERNMENTAL AGENCIES	932,951	851,983	(80,968)
CHARGES FOR CURRENT SERVICES	211,290	213,775	2,485
OTHER REVENUES	8,496	9,285	789
TOTAL REVENUES	1,406,586	1,329,669	(76,917)
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	80,333	75,211	5,122
PUBLIC PROTECTION	364,787	366,216	(1,429)
PUBLIC WAYS AND FACILITIES	2,185	2,097	88
HEALTH AND SANITATION	278,035	247,869	30,166
PUBLIC ASSISTANCE	626,406	572,147	54,259
EDUCATION	1,402	1,404	(2)
RECREATION AND CULTURAL SERVICES	8,563	8,008	555
DEBT SERVICE:			
PRINCIPAL	1,323	1,149	174
INTEREST AND FISCAL CHARGES	10,078	9,999	79
CAPITAL OUTLAY	16,882	10,385	6,497
TOTAL EXPENDITURES	1,389,994	1,294,485	95,509
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,592	35,184	18,592
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFERS TO OTHER FUNDS	(29,928)	(30,828)	(900)
OPERATING TRANSFERS FROM OTHER FUNDS	11,510	10,111	(1,399)
SALE OF FIXED ASSETS	490	892	402
TOTAL OTHER FINANCING SOURCES (USES)	(17,928)	(19,825)	(1,897)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,336)	15,359	16,695
FUND BALANCE, JULY 1, 1998	50,610	50,610	-
FUND BALANCE, JUNE 30, 1999 (NOTE 15)	\$ 49,274	\$ 65,969	\$ 16,695

SEE ACCOMPANYING NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS



COUNTY OF SAN BERNARDINO  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)  
GENERAL FUND, CERTAIN SPECIAL REVENUE FUNDS, AND CERTAIN CAPITAL PROJECTS FUNDS  
YEAR ENDED JUNE 30, 1999 (IN THOUSANDS)

	CERTAIN SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
TAXES	\$ 65,664	\$ 64,668	\$ (996)
LICENSES, PERMITS AND FRANCHISES	197	195	(2)
FINES, FORFEITURES AND PENALTIES	5,622	6,662	1,040
REVENUES FROM USE OF MONEY AND PROPERTY	6,534	5,924	(610)
AID FROM OTHER GOVERNMENTAL AGENCIES	157,602	96,003	(61,599)
CHARGES FOR CURRENT SERVICES	21,858	16,495	(5,363)
OTHER REVENUES	8,480	7,699	(781)
TOTAL REVENUES	265,957	197,646	(68,311)
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	7,797	3,695	4,102
PUBLIC PROTECTION	125,146	74,657	50,489
PUBLIC WAYS AND FACILITIES	58,481	32,992	25,489
HEALTH AND SANITATION	9,543	6,340	3,203
PUBLIC ASSISTANCE	77,404	37,932	39,472
EDUCATION	8,682	8,710	(28)
RECREATION AND CULTURAL SERVICES	6,316	3,954	2,362
DEBT SERVICE:			
PRINCIPAL	1,550	1,300	250
INTEREST AND FISCAL CHARGES	261	242	19
CAPITAL OUTLAY	30,340	11,206	19,134
TOTAL EXPENDITURES	325,520	181,028	144,492
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(59,563)	16,618	76,181
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFERS TO OTHER FUNDS	(10,088)	(6,566)	3,522
OPERATING TRANSFERS FROM OTHER FUNDS	4,841	4,571	(270)
SALE OF FIXED ASSETS	329	523	194
LONG-TERM DEBT PROCEEDS	4,200	-	(4,200)
TOTAL OTHER FINANCING SOURCES (USES)	(718)	(1,472)	(754)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(60,281)	15,146	75,427
FUND BALANCE, JULY 1, 1998	71,948	71,948	-
FUND BALANCE, JUNE 30, 1999 (NOTE 15)	\$ 11,667	\$ 87,094	\$ 75,427

SEE ACCOMPANYING NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

COUNTY OF SAN BERNARDINO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)  
 GENERAL FUND, CERTAIN SPECIAL REVENUE FUNDS, AND CERTAIN CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 1999 (IN THOUSANDS)

	CERTAIN CAPITAL PROJECTS FUNDS		
	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
TAXES	\$ -	\$ 4	\$ 4
REVENUES FROM USE OF MONEY AND PROPERTY	-	42	42
AID FROM OTHER GOVERNMENTAL AGENCIES	4,579	5,925	1,346
CHARGES FOR CURRENT SERVICES	-	8	8
OTHER REVENUES	263	-	(263)
TOTAL REVENUES	4,842	5,979	1,137
EXPENDITURES:			
CAPITAL OUTLAY	28,714	10,744	17,970
TOTAL EXPENDITURES	28,714	10,744	17,970
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(23,872)	(4,765)	19,107
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFERS TO OTHER FUNDS	(161)	-	161
OPERATING TRANSFERS FROM OTHER FUNDS	23,345	4,170	(19,175)
TOTAL OTHER FINANCING SOURCES (USES)	23,184	4,170	(19,014)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(688)	(595)	93
FUND BALANCE, JULY 1, 1998	1,175	1,175	-
FUND BALANCE, JUNE 30, 1999 (NOTE 15)	\$ 487	\$ 580	\$ 93

SEE ACCOMPANYING NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

COUNTY OF SAN BERNARDINO  
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED JUNE 30, 1999 (IN THOUSANDS)

	PROPRIETARY FUND TYPES		
	ENTERPRISE	INTERNAL SERVICE	TOTAL (MEMORANDUM ONLY)
OPERATING REVENUES:			
NET PATIENT CARE AND SERVICES (NOTE 16)	\$ 132,016	\$ -	\$ 132,016
CHARGES FOR CURRENT SERVICES	51,778	106,858	158,636
OTHER	46,058	-	46,058
TOTAL OPERATING REVENUES	229,852	106,858	336,710
OPERATING EXPENSES:			
PROFESSIONAL SERVICES	58,345	3,838	62,183
SALARIES AND EMPLOYEE BENEFITS	81,374	19,650	101,024
SELF-INSURED CLAIMS (NOTE 6)	-	22,405	22,405
SERVICES AND SUPPLIES	134,595	46,753	181,348
DEPRECIATION AND AMORTIZATION	17,953	5,682	23,635
OTHER	5,286	63	5,349
TOTAL OPERATING EXPENSES	297,553	98,391	395,944
OPERATING INCOME (LOSS)	(67,701)	8,467	(59,234)
NONOPERATING REVENUES (EXPENSES):			
INTEREST REVENUE	1,683	3,320	5,003
INTEREST EXPENSE	(1,387)	(113)	(1,500)
TAX REVENUE	4,008	-	4,008
GRANT REVENUE	380	-	380
LOSS ON SALE OF FIXED ASSETS	(5,300)	(38)	(5,338)
OTHER NONOPERATING REVENUES	946	-	946
OTHER NONOPERATING EXPENSES	(1,365)	-	(1,365)
TOTAL NONOPERATING REVENUES	(1,035)	3,169	2,134
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(68,736)	11,636	(57,100)
OPERATING TRANSFERS TO OTHER FUNDS (NOTE 3)	(6,593)	-	(6,593)
OPERATING TRANSFERS FROM OTHER FUNDS (NOTE 3)	4,989	-	4,989
NET INCOME (LOSS)	(70,340)	11,636	(58,704)
RETAINED EARNINGS, JULY 1, 1998, AS RESTATED (NOTE 21)	29,660	3,653	33,313
RETAINED EARNINGS (DEFICIT), JUNE 30, 1999	\$ (40,680)	\$ 15,289	\$ (25,391)

SEE ACCOMPANYING NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

COUNTY OF SAN BERNARDINO  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED JUNE 30, 1999 (IN THOUSANDS)

PAGE 1 OF 2

	PROPRIETARY FUND TYPES		TOTAL (MEMORANDUM ONLY)
	ENTERPRISE	INTERNAL SERVICE	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
OPERATING INCOME (LOSS)	\$ (67,701)	\$ 8,467	\$ (59,234)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION	17,953	5,682	23,635
OTHER NONOPERATING REVENUES	946	-	946
OTHER NONOPERATING EXPENSES	(163)	-	(163)
(INCREASE) DECREASE IN:			
ACCOUNTS RECEIVABLE - NET	851	(15)	836
TAXES RECEIVABLE	(77)	-	(77)
DUE FROM OTHER FUNDS	5,290	(35)	5,255
DUE FROM OTHER GOVERNMENTS	(8,033)	(124)	(8,157)
INVENTORIES	(653)	134	(519)
PREPAID ITEMS	(1,531)	531	(1,000)
OTHER ASSETS		(617)	(617)
INCREASE (DECREASE) IN:			
ACCOUNTS PAYABLE	3,845	(230)	3,615
SALARIES AND BENEFITS PAYABLE	(2,033)	(616)	(2,649)
DUE TO OTHER FUNDS	8,047	288	8,335
DEFERRED REVENUE	-	97	97
ESTIMATED LIABILITY FOR CLOSURE/ POSTCLOSURE CARE COSTS	4,212	-	4,212
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS	-	1,641	1,641
EMPLOYEE COMPENSATED ABSENCES	766	182	948
TOTAL ADJUSTMENTS	29,420	6,918	36,338
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(38,281)	15,385	(22,896)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
RECEIPT OF PAYMENT ON ADVANCES TO OTHER FUNDS	36,242	366	36,608
PAYMENT ON ADVANCES FROM OTHER FUNDS	-	(55)	(55)
TAXES RECEIVED	4,008	-	4,008
GRANT REVENUE	380	-	380
OPERATING TRANSFERS TO OTHER FUNDS	(6,593)	-	(6,593)
OPERATING TRANSFERS FROM OTHER FUNDS	4,989	-	4,989
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	39,026	311	39,337

COUNTY OF SAN BERNARDINO  
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED JUNE 30, 1999 (IN THOUSANDS)

PAGE 2 OF 2

	PROPRIETARY FUND TYPES		TOTAL (MEMORANDUM ONLY)
	ENTERPRISE	INTERNAL SERVICE	
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
ACQUISITION OF FIXED ASSETS	\$ (75,573)	\$ (4,338)	\$ (79,911)
NOTE PROCEEDS	176,549	-	176,549
PRINCIPAL PAID ON CAPITAL LEASE OBLIGATIONS	(1,470)	(1,575)	(3,045)
INTEREST PAID ON CAPITAL LEASE OBLIGATIONS	(190)	(113)	(303)
PRINCIPAL PAID ON BONDS AND NOTES	(37,910)	-	(37,910)
INTEREST PAID ON BONDS AND NOTES	(742)	-	(742)
PROCEEDS FROM SALE OF FIXED ASSETS	373	49	422
CONTRIBUTED CAPITAL CONTRIBUTION	175,599	-	175,599
PAYMENT TO BOND ESCROW AGENT	(176,886)	-	(176,886)
PAYMENT OF BOND ISSUANCE COSTS	(3,038)	-	(3,038)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	56,712	(5,977)	50,735
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
INTEREST ON INVESTMENTS	11,253	3,320	14,573
PURCHASES OF INVESTMENTS	(57,448)	-	(57,448)
SALES OF INVESTMENTS	-	4,016	4,016
DECREASE IN OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS	(1,603)	(675)	(2,278)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(47,798)	6,661	(41,137)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,659	16,380	26,039
CASH AND CASH EQUIVALENTS, JULY 1, 1998	42,494	31,057	73,551
CASH AND CASH EQUIVALENTS, JUNE 30, 1999	\$ 52,153	\$ 47,437	\$ 99,590
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
INTEREST RECEIVABLE	\$ 1,240	\$ -	\$ 1,240
INTEREST PAYABLE	15,303	-	15,303
ARBITRAGE PAYABLE	857	-	857
DUE TO COUNTY	997	-	997
ACQUISITION OF EQUIPMENT THROUGH CAPITAL LEASES	-	358	358
CONTRIBUTION OF MEDICAL CENTER FIXED ASSETS	485,878	-	485,878
CAPITAL LEASE OBLIGATIONS-ADDITIONS	1,483	-	1,483
DEFERRED ISSUANCE COSTS	15,102	-	15,102
CONTRIBUTION OF MEDICAL CENTER CERTIFICATES OF PARTICIPATION (NET)	660,277	-	660,277

SEE ACCOMPANYING NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

COUNTY OF SAN BERNARDINO  
COMBINED STATEMENT OF CHANGES IN NET ASSETS  
INVESTMENT AND PENSION TRUST FUNDS  
YEAR ENDED JUNE 30, 1999 (IN THOUSANDS)

	INVESTMENT TRUST	PENSION TRUST	TOTAL (MEMORANDUM ONLY)
ADDITIONS:			
CONTRIBUTIONS:			
EMPLOYERS	\$ -	\$ 48,667	\$ 48,667
EMPLOYEES	-	22,681	22,681
CONTRIBUTIONS ON POOLED INVESTMENTS	4,796,060	-	4,796,060
TOTAL CONTRIBUTIONS	4,796,060	71,348	4,867,408
NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	(3,652)	293,945	290,293
INTEREST INCOME ON CASH AND SECURITIES	33,400	63,187	96,587
OTHER INCOME (EXPENSES):			
DIVIDEND INCOME	-	23,427	23,427
INVESTMENT ADVISEMENT FEES	-	(11,342)	(11,342)
SECURITIES LENDING (NOTE 2)	-	20,316	20,316
NET REAL ESTATE RENTAL INCOME	-	12,367	12,367
SECURITIES LENDING REBATES AND BANK CHARGES (NOTE 2)	-	(18,770)	(18,770)
NET INCOME FROM VENTURE CAPITAL INVESTMENTS	-	628	628
TOTAL OTHER INCOME	-	26,626	26,626
TOTAL ADDITIONS	4,825,808	455,106	5,280,914
DEDUCTIONS:			
BENEFITS AND REFUNDS PAID TO PARTICIPANTS AND BENEFICIARIES	-	96,581	96,581
PROVISION FOR LOSS CONTINGENCY (NOTE 20)	-	230,478	230,478
DISTRIBUTIONS FROM POOLED INVESTMENTS	4,671,389	-	4,671,389
ADMINISTRATIVE EXPENSES	-	2,595	2,595
OTHER EXPENSES	-	1,131	1,131
TOTAL DEDUCTIONS	4,671,389	330,785	5,002,174
NET INCREASE IN NET ASSETS	154,419	124,321	278,740
NET ASSETS HELD IN TRUST, JULY 1, 1998	703,451	2,988,176	3,691,627
NET ASSETS HELD IN TRUST, JUNE 30, 1999	\$ 857,870	\$ 3,112,497	\$ 3,970,367

SEE ACCOMPANYING NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

**COUNTY OF SAN BERNARDINO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**THE REPORTING ENTITY**

The County of San Bernardino (the "County"), which was established by an act of the State Legislature on April 26, 1853, is a legal subdivision of the State of California charged with governmental powers. The County's powers are exercised through a five-member Board of Supervisors (the "Board") which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by generally accepted accounting principles, these General Purpose Financial Statements present the primary government and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. Each blended component unit has a June 30 year-end. The County has no discretely presented component units.

Using the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, management determined that the following component units should be blended: Fire Protection Districts, Flood Control District, Park and Recreation Districts, Crestline Sanitation District, County Service Areas, various Joint Powers Authorities ("JPAs") including a Public Benefit Corporation created for the benefit of the County, the San Bernardino County Employee's Retirement Association ("SBCERA"), Inland Empire Facilities Corporation, Inland Empire Solid Waste Financing Authority, San Bernardino Public Safety Authority, San Bernardino County Financing Authority and the Crestline Financing Authority. The County is financially accountable for each of the above component units through the County's elected officials and descriptions of these component units are contained in subsequent sections of this Comprehensive Annual Financial Report. Financial accountability can be demonstrated by the Board of Supervisors acting as the governing board for the component units. Because of their relationship with the County and the nature of their operations, each of the component units are, in substance, part of the County's operations and, accordingly, the activities of these component units are combined (blended) with the activities of the County for purposes of reporting in the accompanying General Purpose Financial Statements. Additional detailed financial information for each of these entities can be obtained from the Auditor/Controller's Office at 222 W. Hospitality Lane, San Bernardino, CA 92415-0018.

Included as an Investment Trust Fund, are numerous self-governed school and special districts for which cash and investments are held by the County Treasurer. The financial reporting for these governmental entities, which are independent of the County, is limited to the total amount of cash and investments and other assets, and the related fiduciary responsibility of the County for disbursement of these assets. Activities of the school districts and special districts are administered by their own separate elected boards and are independent of the County Board of Supervisors. The County Auditor/Controller makes disbursements upon the request of the responsible school and self-governed district officers. The County Board of Supervisors has no effective authority to govern, manage, approve budgets, assume financial responsibility, establish revenue limits, nor to appropriate surplus funds available in these entities. Therefore, these entities are fiscally independent of the County.

Twenty-four cities and numerous self-governed special districts provide services to the residents of the County. The operations of these entities have been excluded from the General Purpose Financial Statements since each entity conducts its own day-to-day operations and answers to its own elected governing board.

# NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### **BASIS OF PRESENTATION**

The accounts of the County are organized on the basis of funds and account groups. A fund is defined as an independent fiscal accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities. Account groups are used to establish accounting control and accountability for the County's general fixed assets and general long-term debt. Account groups are not funds, as they do not reflect available financial resources and related liabilities. The County maintains the following fund types and account groups:

#### **Governmental Fund Types**

Governmental funds are used to account for the County's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is based upon determination of financial position and changes in financial position. The following are the County's governmental fund types:

##### *General Fund*

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

##### *Special Revenue Funds*

Special Revenue Funds account for the proceeds of specific sources (other than those for Capital Projects Funds and Expendable Trust Funds) that are legally restricted to expenditures for specific purposes. Special Revenue Funds also include general funds of blended component units included in the County reporting entity.

##### *Debt Service Funds*

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. All Joint Powers Authorities Debt Service Funds are combined and reported as one fund in the accompanying General Purpose Financial Statements.

##### *Capital Projects Funds*

Capital Projects Funds are used to account for financial resources designated for the acquisition or construction of major capital facilities other than those financed by Enterprise and Internal Service Funds.

#### **Proprietary Fund Types**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income and capital maintenance. The following are the County's proprietary fund types:

##### *Enterprise Funds*

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.



# NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### BASIS OF PRESENTATION – CONTINUED

#### Proprietary Fund Types – Continued

##### *Internal Service Funds*

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis.

#### Fiduciary Fund Types

Trust and Agency Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental entities and other funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental fund types. The Investment Trust Fund and the Pension Trust Fund are accounted for in essentially the same manner as proprietary fund types. Agency Funds are custodial in nature and do not involve the measurement of operations.

#### Account Groups

##### *General Fixed Assets Account Group*

The General Fixed Assets Account Group is used to account for the County's general fixed assets other than those accounted for in Enterprise Funds, Internal Service Funds and the Pension Trust Fund.

##### *General Long-Term Debt Account Group*

The General Long-Term Debt Account Group is used to account for the unmatured principal of general obligation bonds and other general long-term obligations that are not specific liabilities of Enterprise Funds, Internal Service Funds and the Pension Trust Fund.

### ACCOUNTING STANDARDS

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the County has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

### BASIS OF ACCOUNTING

Basis of accounting refers to the point when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

The County uses the modified accrual basis of accounting for the Governmental Fund Types, Expendable Trust Funds, and Agency Funds (assets and liabilities only). Revenues are recognized when they become measurable and available to finance operations of the current year. Revenues which are accrued include property taxes, sales tax, interest, state and federal grants and subventions, and charges for services. Other revenue becomes measurable and available when cash is received, and is recognized as revenue at that time. Expenditures are generally recognized when the related fund liability is incurred except for principal and interest on long-term obligations, which is recognized when payment is due.

# NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### BASIS OF ACCOUNTING - CONTINUED

The accrual basis of accounting is used for Enterprise Funds, Internal Service Funds, the Investment Trust Fund and the Pension Trust Fund. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recorded when they are incurred. Pension Trust Fund dividend income is recorded on the ex-dividend date. Gains and losses from sales of stocks and bonds are recorded on the trade date utilizing the average cost method. Gains and losses from mortgage investment transactions are calculated utilizing the specific identification method.

### BUDGETARY INFORMATION

In accordance with the provisions of Sections 29000 - 29143 of the Government Code of the State of California, commonly known as the County Budget Act, the County prepares and adopts a budget on or before August 30 for each fiscal year. Budgets are adopted for the General Fund, certain Special Revenue Funds, and certain Capital Projects Funds. Budgets are prepared on the modified accrual basis of accounting, except that current year encumbrances are budgeted as expenditures.

Annual budgets are not adopted for the following funds: Community Services and Preschool Services Departments Special Revenue Funds, and the Joint Powers Authorities Special Revenue, Debt Service and Capital Projects Funds. Accordingly, these funds are not included in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual on Budgetary Basis (See Note 15).

The legal level of budgetary control is maintained at the object level and sub-object level for fixed assets within departments. However, presentation of the General Purpose Financial Statements at the legal level of control is not feasible due to excessive length. Because of the large volume of detail, the budget and actual statements have been aggregated by function. The County does prepare a separate Final Budget document at the object and sub-object level that is made available to the public by the office of the Auditor/Controller. For Fiscal Year 1998-99, there were no material instances in which expenditures exceeded appropriations.

Encumbrances, which are commitments related to executory contracts and purchase orders for goods or services, are recorded for budgetary control purposes in the General Fund, certain Special Revenue Funds and certain Capital Projects Funds. Encumbrance accounting is utilized to assure effective budgetary control and accountability. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditures.

Amendments or transfers of appropriations between funds or departments must be approved by the Board. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Board. From time to time during the year, supplemental appropriations were necessary and approved by the Board. Amendments or transfers of appropriations between object levels within the same department may be approved by the Board or the County Administrative Office. Transfers at the sub-object level or cost center level may be done at the discretion of the Department head. Budget amounts reported in the accompanying General Purpose Financial Statements are as amended. Budget amendments during 1998-1999 were not material to the General Purpose Financial Statements. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

# NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### PROPERTY TAXES

The County levies, collects and apportions property taxes for all taxing jurisdictions within the County, including school and special districts. Property taxes are determined by applying approved rates to the assessed values of properties. The total 1998-99 gross assessed valuation of the County of San Bernardino was \$63,873,341,000 (after deducting \$13,905,664,000 for the redevelopment tax allocation increment).

Article XIII A of the State of California Constitution limits the property tax levy to support general government services of the various taxing jurisdictions to \$1.00 per \$100 of assessed value. Taxes levied to service voter-approved debt prior to June 30, 1978 are excluded from this limitation.

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on the March 1 lien date and become delinquent with penalties on August 31.

### ACCOUNTS RECEIVABLE

The accounts receivable balance of the Medical Center Enterprise Fund at June 30, 1999 is net of an allowance for doubtful accounts of \$77,038,000.

### DUE FROM OTHER GOVERNMENTS

At June 30, 1999, the General Fund accrued \$111,051,000 of receivables from other governments, of which \$84,921,000 was due from the State of California. Of the amount owed by the State, \$23,503,000 was for Health Care Services, \$29,840,000 was for Public Social Services, \$22,052,000 was for Motor Vehicle license fees and sales tax money and \$9,526,000 was for other services. Amounts owed from cities for booking fees and other services were \$3,122,000. The remaining amount of \$23,008,000 was due from the Federal Government and other governmental agencies.

### INVENTORIES

Inventories, which consist principally of materials and supplies held for consumption, are valued at cost (first-in, first-out basis) for Governmental Fund Types and at an amount which approximates the lower of average cost or market for Proprietary Fund Types. Inventories of the General Fund and Special Revenue Funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are offset with a corresponding reservation of fund balance because these amounts are not available for appropriation and expenditure.

### FIXED ASSETS

The accounting and reporting treatment applied to fixed assets associated with a fund is determined by its measurement focus. Acquisitions of fixed assets are recorded as expenditures in the Governmental and Expendable Trust Funds at the time of purchase. Fixed assets with costs greater than \$100,000 for structures and improvements and \$5,000 for equipment are capitalized at cost in the General Fixed Assets Account Group. Enterprise and Internal Service Funds use the same capitalization policy, except for the Medical Center Enterprise Fund which capitalizes structures and improvements, and equipment over \$5,000, due to Federal capitalization criteria. Infrastructure expenditures, including the construction costs of streets, roads, bridges, drainage and lighting systems, have been excluded from the General Fixed Assets Account Group because they generally are immovable and of value only to the governmental unit. Depreciation is not provided on general fixed assets.

# NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### FIXED ASSETS – CONTINUED

Fixed assets are recorded at cost in the Enterprise and Internal Service Funds. Fixed assets received through gift or contribution are recorded at their estimated market value on the date of receipt. Depreciation and amortization expense for Proprietary Funds is computed by use of the straight-line method over the estimated useful lives of the assets as follows:

Structures and Improvements	15 to 40 years
Equipment	3 to 8 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Net interest expense (net of interest income on the investment of tax exempt proceeds) is capitalized as a component of cost of property constructed. For the year ended June 30, 1999, a total of \$31,032,000 in net interest expense has been capitalized for the construction of the new County Medical Center Facility.

### DEFERRED REVENUE

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are recorded on the General Purpose Financial Statements as deferred revenue. The General Fund has \$5,551,000 of deferred revenue at June 30, 1999, consisting of \$5,034,000 of Federal and State money to be distributed to welfare recipients in the fiscal year 1999-2000, \$333,000 for health services and \$184,000 of other items.

### CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the County considers all pooled investments and other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### EMPLOYEE COMPENSATED ABSENCES

Liabilities for vacation, holiday benefits, sick pay and compensatory time are recorded when earned. Compensated absence liabilities are recorded in Proprietary Fund Types and, for amounts not expected to be liquidated with expendable available financial resources, are reported in the General Long-Term Debt Account Group ("GLTDAG") for Governmental Fund Types. No expenditure is reported for these amounts. The amount recorded at June 30, 1999 in the GLTDAG was \$70,423,000 compared with \$62,727,000 at June 30, 1998. Total additions and deletions to employee compensated absences that occurred during the year were recorded as a net amount in Note 7.

### LEASES

The County leases various assets under both operating and capital lease agreements. For Governmental Fund Types, assets under capital leases and the related lease obligations are reported in the General Fixed Assets and General Long-Term Debt Account Groups, respectively. For Proprietary Fund Types, the assets and related lease obligations are recorded in the appropriate Enterprise or Internal Service Fund.

# NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### USE OF ESTIMATES

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### TOTAL COLUMNS IN GENERAL PURPOSE FINANCIAL STATEMENTS

Total columns in the accompanying General Purpose Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows of the County in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made in the aggregation of this data.

## 2. CASH AND INVESTMENTS

Cash and investments include the cash balances of substantially all funds which are pooled (the "pool") and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7 – like pool. The pool does not issue a separate report. Included also are cash and investments held by the Pension Trust Fund, certain Joint Powers Authorities and cash held by various trustee financial institutions in accordance with the California Government Code.

### DEPOSITS

At June 30, 1999, the carrying amount of the County's deposits was \$60,025,000 and the corresponding bank balance was \$30,776,000. The difference of \$29,249,000 was principally due to outstanding warrants and deposits in transit. In accordance with GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, the County's deposits are categorized in the following manner:

- Category 1 - Insured or collateralized with securities held by the County or by its agent in the County's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.
- Category 3 - Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the County's name.

County deposits by category as of June 30, 1999 are as follows (in thousands):

	Category			Total
	1	2	3	
Bank Accounts	\$ 29,747	\$ 1,027	\$ 2	\$ 30,776

# NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

## 2. CASH AND INVESTMENTS - Continued

### INVESTMENTS

The County's investments are governed by the California Government Code and the County's Investment Policy. These approved investments include U.S. Government Treasury and Agency securities, bankers' acceptances, commercial paper, medium term notes, mutual funds, repurchase agreements and reverse repurchase agreements as authorized by Government Code Sections 53601, 53635 and 53638 which limit the investments to certain maximum percentages by investment type in the pool. The Pension Trust Fund operates under the "Prudent Man Rule" which allows for the purchase, holding or sale of any form or type of investment, financial instrument or financial transaction when prudent. The investments of the Pension Trust Fund are approved by the San Bernardino County Board of Retirement.

In accordance with GASB No. 31, the County's investments and securities are reported at fair value, based upon closing sales prices reported on recognized securities exchanges. Securities having no sales and unlisted securities are valued based upon last reported bid prices. The County intends to either hold investments until maturity or until market values equal or exceed cost. The value of the various investments will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the County pool will not vary significantly from the values described herein.

Monies deposited in the County pool by the participants represent an individual interest in all assets and investments in the County pool based upon the amount deposited. Interest income, realized gains and losses are distributed quarterly to the pool participants, based upon their average daily balance.

The County Treasurer has made a practice of preparing a market-to-book value of the County pool on a monthly basis since approximately 1987. Currently, the Treasurer provides monthly reports of its asset mix, average life, market value and other features to both the Board of Supervisors and the County Investment Oversight Committee. The function of the Committee is to render unbiased and objective opinions on matters involving the Treasurer's investment of public funds. Specifically they are charged with: 1) review of the annual Investment Policy Statement and any subsequent changes, 2) review of the investment portfolio and reports for compliance with law and investment policy, and 3) causing an annual audit to be conducted on the pooled investment portfolio.

State law now requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. The net asset value of involuntary participation in the asset pool totals \$797,690,000 at June 30, 1999.

As of June 30, 1999, the book value of the County pool was \$1.56 billion. Approximately 13% of the County pool is attributable to the County General Fund, with the remainder of the balance comprised of other County funds, school districts and special districts. Additionally, as of June 30, 1999, \$60,180,000 of the amounts deposited in the County pool are attributable to depositors who are not required to, but choose to, invest in the County pool.

A summary of the investments held by the County Treasurer is as follows (in thousands):

Investment	Fair Value	Principal	Interest Rate %	Maturity Date
			Range	
U.S. Government Securities	\$ 586,263	\$ 594,426	4.45 – 6.82	08/03/99 – 09/29/03
Repurchase Agreements	200,003	200,000	5.70 – 5.75	07/01/99
Negotiable Certificates of Deposit	364,616	366,390	4.90 – 5.69	07/06/99 – 04/28/00
Commercial Paper	358,461	356,697	4.88 – 5.73	07/01/99 – 07/21/99
Medium Term Notes	19,997	19,998	5.57	09/10/99
Mutual Funds	20,629	20,629	4.80	N/A
Total	<u>\$ 1,549,969</u>	<u>\$ 1,558,140</u>		

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 2. CASH AND INVESTMENTS - Continued

#### INVESTMENTS – CONTINUED

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 1999 (in thousands):

<b>Statement of Net Assets</b>	
Net Assets held for pool participants	\$ 1,549,969
Equity of internal pool participants	\$ 692,099
Equity of external pool participants:	
Voluntary	60,180
Involuntary	797,690
Total Equity	<u>\$ 1,549,969</u>
<b>Statement of Changes in Net Assets</b>	
Net Assets at July 1, 1998	\$ 1,201,804
Net change in investments by pool participants	<u>348,165</u>
Net Assets at June 30, 1999	<u>\$ 1,549,969</u>

In accordance with GASB Statement No. 3, the County's investments at June 30, 1999 are categorized separately to give an indication of the level of custodial credit risk assumed by the County. Investments under reverse repurchase agreements are not categorized because they are held by broker-dealers. The County's investments are categorized in the following manner:

- Category 1 - Includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name.
- Category 2 - Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name.
- Category 3 - Includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name.

County investments by category as of June 30, 1999 are as follows (in thousands):

	<b>Category</b>			<b>Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
U.S. Government Securities	\$ 586,263	\$ -	\$ -	\$ 586,263
Repurchase Agreements	200,003	-	-	200,003
Negotiable Certificates of Deposit	364,616	-	-	364,616
Commercial Paper	358,461	-	-	358,461
Medium Term Notes	19,997	-	-	19,997
Investments Controlled by County Treasurer	<u>1,529,340</u>	<u>-</u>	<u>-</u>	<u>1,529,340</u>
Amounts Controlled by Fiscal Agents –				
U.S. Government Securities	<u>-</u>	<u>43,871</u>	<u>-</u>	<u>43,871</u>

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 2. CASH AND INVESTMENTS - Continued

#### INVESTMENTS – CONTINUED

	Category			Fair Value
	1	2	3	
Amounts Invested in Pension Trust Fund:				
Short-term Cash Investments	87,436	-	-	87,436
U.S. Government Securities	378,157	-	-	378,157
Corporate Bonds	259,241	-	-	259,241
Common and Preferred Stocks	1,875,719	-	-	1,875,719
Other (Foreign Bonds, Warrants and Other Investments)	158,264	-	-	158,264
Investments of Cash Collateral Received on Securities Lending:				
U.S. Government Securities	-	-	156,775	156,775
Corporate Bonds	-	-	121,282	121,282
Foreign Equity Securities	-	-	119,659	119,659
Foreign Bonds	-	-	30,142	30,142
Investments Controlled by Pension Trust Fund	<u>2,758,817</u>	<u>-</u>	<u>427,858</u>	<u>3,186,675</u>
Total Categorized Investments	<u>\$ 4,288,157</u>	<u>\$ 43,871</u>	<u>\$ 427,858</u>	<u>\$ 4,759,886</u>

Summary of Cash and Investments (in thousands):

Total Categorized Investments at Fair Value	\$ 4,759,886
Total Deposits	\$ 60,025
Less: Outstanding Warrants	<u>88,164</u> (28,139)
Other Cash Funds (Imprest, Revolving)	669
Mutual Funds	49,766
Non-categorized Investments in Pension Trust Fund:	
Securities Lending Investments (U.S. Government Securities, Corporate Bonds, Common and Preferred Stocks and Foreign Bonds)	417,373
Real Estate, Partnership and Mortgages	162,500
Non-Categorized Investments in Cash with Fiscal Agents (Guaranteed Investments Contracts)	<u>303,470</u>
Total Cash and Investments (Including Restricted Amounts)	<u>\$ 5,665,525</u>

#### SECURITIES LENDING

The SBCERA, through its custodian bank, enters into securities lending transactions, whereby securities owned by SBCERA are loaned on a short-term basis to various banks and brokers. State statutes do not prohibit SBCERA from participating in securities lending transactions and SBCERA, in conjunction with the San Bernardino County Treasurer-Tax Collector, has authorized State Street Bank and Trust Company (State Street), pursuant to a Second Amendment to the Custodian Agreement, to act as agent in lending the securities to broker-dealers and banks pursuant to a formal loan agreement. The types of securities loaned are U.S. Government and Agency, Domestic Equity, Domestic Fixed Income, International Equity and International Fixed Income securities.

During the year ended June 30, 1999, State Street loaned, on behalf of SBCERA, the securities held by State Street as custodian and received cash, securities issued or guaranteed by the United States Government and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan equal to 103% and 105% of the fair value of the loaned domestic and non-domestic securities, respectively.



## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 2. CASH AND INVESTMENTS - Continued

#### SECURITIES LENDING - CONTINUED

SBCERA did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf. All investments of cash collateral were the account and risk of SBCERA, and State Street indemnified SBCERA by agreeing to purchase replacement securities or return the cash collateral in the event the borrower failed to return the loaned security or pay distributions thereon. There were no such failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the year ended June 30, 1999, SBCERA and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective external investment pool. The average duration of such external investment pools as of June 30, 1999 was 68 days with an average weighted maturity of 175 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral.

On June 30, 1999, SBCERA had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for SBCERA as of June 30, 1999 was \$427,858,000 and \$417,373,000, respectively. As of June 30, 1999, securities lending transactions collateralized by securities collateral, letter of credit collateral and tri-party collateral in the amounts of \$430,000, \$4,859,000 and \$12,151,000, respectively, have not been reported as assets and liabilities in the accompanying balance sheet.

#### DERIVATIVES

SBCERA uses financial instruments such as derivatives and similar transactions to hedge its exposure to certain risks. The financial instruments are valued at fair value and, as such, income and losses are recognized daily based on changes in their fair value. The use of these financial instruments does expose the Plan to the risk of dealing with financial counter-parties and to market risk associated with a possible adverse change in interest rates and currency movement. As of June 30, 1999, the value of the significant financial instruments used include \$48,159,000 in mortgage-backed securities and \$276,888,000 in mortgage-backed investment pools and index funds. These are included in U.S. government securities, corporate bonds, and domestic common and preferred stock in the accompanying balance sheet as of June 30, 1999.

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 3. *INTERFUND TRANSACTIONS*

Due From/To Other Funds at June 30, 1999 are as follows (in thousands):

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
<u>General Fund</u>	<u>\$ 14,929</u>	<u>\$ 8,351</u>
<u>Special Revenue Funds</u>		
Transportation	154	31
County Free Library	-	58
Economic and Community Development	25	144
Aging and Adult Services	440	304
Jobs and Employment Services	-	18
Micrographics Fees	8,501	-
County Service Areas	3,059	1,003
Courthouse Temporary Construction	12	-
Flood Control District	262	87
Fire Protection Districts	1,267	921
Park and Recreation Districts	94	11
Tobacco Tax Program	49	-
Joint Powers Authorities	3	-
Special Aviation	169	-
Sheriff's Special Projects	212	472
Special Transportation	141	38
Other Special Revenue	587	53
Total Special Revenue Funds	<u>14,975</u>	<u>3,140</u>
<u>Capital Projects Funds</u>		
Capital Improvements	4,198	2,859
County Service Areas	36	37
Fire Protection Districts	1	-
Total Capital Projects Funds	<u>4,235</u>	<u>2,896</u>

# NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

## 3. INTERFUND TRANSACTIONS - Continued

	Due From Other Funds	Due To Other Funds
<u>Enterprise Funds</u>		
Medical Center	1,441	19,623
Crestline Sanitation District	97	8
County Service Areas	270	252
Fire Protection Districts - Ambulance	5	223
Waste Systems Division	178	491
Ultrascreen Theater	5	-
Total Enterprise Funds	<u>1,996</u>	<u>20,597</u>
<u>Internal Service Funds</u>		
General Services Group	52	1
Telephone Services	479	-
Computer Operations	269	38
Vehicle Services	56	94
Risk Management	501	373
Flood Control Equipment	39	10
Total Internal Service Funds	<u>1,396</u>	<u>516</u>
<u>Expendable Trust Funds</u>		
Law Library	14	-
Barstow Cemetery Endowment Care Fund	4	-
Total Expendable Trust Funds	<u>18</u>	<u>-</u>
<u>Investment Trust Fund</u>	<u>9,069</u>	<u>3,674</u>
<u>Pension Trust Fund</u>	<u>49</u>	<u>41</u>
<u>Agency Funds</u>		
Special Assessment Funds	38	-
Other Agency Funds	22,299	29,789
Total Agency Funds	<u>22,337</u>	<u>29,789</u>
Total All Funds	<u>\$ 69,004</u>	<u>\$ 69,004</u>

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 3. *INTERFUND TRANSACTIONS - Continued*

Advances To/From Other Funds at June 30, 1999 are as follows (in thousands):

	<b>Advances To Other Funds</b>	<b>Advances From Other Funds</b>
<u>General Fund</u>	<u>\$ 775</u>	<u>\$ -</u>
<u>Special Revenue Funds</u>		
Transportation	300	-
Aging and Adult Services	-	250
County Service Areas	3	-
Flood Control District	-	1,628
Sheriff's Special Projects	-	250
Special Transportation	-	300
Total Special Revenue Funds	<u>303</u>	<u>2,428</u>
<u>Debt Service Funds - Joint Powers Authorities</u>	<u>-</u>	<u>43,547</u>
<u>Capital Projects Funds - County Service Areas</u>	<u>-</u>	<u>3</u>
<u>Enterprise Funds</u>		
Medical Center	-	3,576
Waste Systems Division	43,547	-
Ultrascreen Theater	-	500
Total Enterprise Funds	<u>43,547</u>	<u>4,076</u>
<u>Internal Service Funds</u>		
Risk Management	4,354	25
Flood Control Equipment	850	-
Total Internal Service Funds	<u>5,204</u>	<u>25</u>
<u>Agency Funds - Other Agency Funds</u>	<u>250</u>	<u>-</u>
Total All Funds	<u><u>\$ 50,079</u></u>	<u><u>\$ 50,079</u></u>

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 3. INTERFUND TRANSACTIONS - Continued

Operating Transfers To/From Other Funds for the year ended June 30, 1999 are as follows (in thousands):

	<b>Operating Transfers To Other Funds</b>	<b>Operating Transfers From Other Funds</b>
<u>General Fund</u>	<u>\$ 30,828</u>	<u>\$ 10,111</u>
<u>Special Revenue Funds</u>		
Economic and Community Development	1,167	-
County Service Areas	446	1,733
Courthouse Temporary Construction	1,905	-
Criminal Justice Temporary Construction	2,200	-
Fire Protection Districts	848	720
Joint Powers Authorities	12,956	54
Special Aviation	-	1,683
Other Special Revenue	-	435
Total Special Revenue Funds	<u>19,522</u>	<u>4,625</u>
<u>Debt Service Funds - Joint Powers Authorities</u>	<u>5,563</u>	<u>38,610</u>
<u>Capital Projects Funds</u>		
Capital Improvements	-	3,489
Joint Powers Authorities	-	1
County Service Areas	-	641
Fire Protection Districts	-	40
Total Capital Projects Funds	<u>-</u>	<u>4,171</u>
<u>Enterprise Funds</u>		
Medical Center	-	458
County Service Areas	651	153
Fire Protection Districts - Ambulance	943	-
Waste Systems Division	4,999	2,878
Ultrascreen Theater	-	600
Other Enterprise	-	900
Total Enterprise Funds	<u>6,593</u>	<u>4,989</u>
Total All Funds	<u><u>\$ 62,506</u></u>	<u><u>\$ 62,506</u></u>

Residual equity transfers are nonrecurring or non-routine transfers of equity between funds. In Governmental Funds, residual equity transfers are reported as additions to or deductions from the beginning fund balance. In Proprietary Funds they are reported as additions to contributed capital, or as reductions of either retained earnings or contributed capital. \$175,599,000 pertaining to the Medical Center was transferred out of Governmental Funds as of July 1, 1998 (see Note 14).

# NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

## 4. RESTRICTED CASH AND CASH EQUIVALENTS

Cash and cash equivalents that are restricted by legal or contractual requirements at June 30, 1999 are comprised of the following:

### General Fund

The General Fund has restricted cash and cash equivalents in the amount of \$202,250,000 for the repayment of the Tax and Revenue Anticipation Notes ("TRANS"), and the interest thereon due September 30, 1999.

### Special Revenue Funds

#### *Flood Control District:*

The Flood Control District has set aside \$38,000 of cash and cash equivalents to be used for the construction of the Day Creek Project.

### Enterprise Funds

#### *Medical Center*

Restricted cash and cash equivalents of \$23,107,000 represent funds set aside for construction costs and debt service payments.

#### *Waste Systems Division:*

Restricted cash and cash equivalents of \$4,115,000 represent funds set aside for a waste water treatment facility, groundwater detection, treatment and remediation, and for State mandated site closure and maintenance costs.

## 5. FIXED ASSETS

The following is a summary of changes in fixed assets of the General Fixed Assets Account Group by class for the year ended June 30, 1999 (in thousands):

	<u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1999</u>
Land	\$ 69,261	\$ 1,465	\$ -	\$ 70,726
Improvements to Land	83,495	7,218	-	90,713
Structures and Improvements	366,542	22,433	-	388,975
Equipment	94,627	17,894	5,725	106,796
Construction in Progress	537,478	11,384	502,466	46,396
Total	<u>\$ 1,151,403</u>	<u>\$ 60,394</u>	<u>\$ 508,191</u>	<u>\$ 703,606</u>

Construction in Progress consists of the following projects (in thousands):

Chino Airport Construction	\$ 34,567
Other various projects	11,829
Total	<u>\$ 46,396</u>

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 5. **FIXED ASSETS - Continued**

The following is a summary of Proprietary Fund fixed assets by class as of June 30, 1999 (in thousands):

	<u>Enterprise</u>	<u>Internal Service</u>
Land	\$ 59,143	\$ 396
Improvements to Land	108,534	352
Structures and Improvements	557,339	3,949
Equipment	66,390	48,975
Construction in Progress	24,394	1,530
Total	<u>815,800</u>	<u>55,202</u>
Less: Accumulated Depreciation	88,223	40,316
Net	<u>\$ 727,577</u>	<u>\$ 14,886</u>

Construction in Progress for the Enterprise Funds consists of the following projects (in thousands):

Solid Waste Landfills	\$ 20,587
Other various projects	3,807
Total	<u>\$ 24,394</u>

### 6. **SELF-INSURANCE**

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability and workers' compensation claims. Public liability claims are self-insured for up to \$500,000 per occurrence. Excess insurance coverage up to \$25 million is provided through a Risk Pool Agreement with California State Association of Counties (CSAC) Excess Insurance Authority ("EIA") Liability Program II. Workers' compensation claims are self-insured up to \$1 million per occurrence and covered by an independent carrier for the balance up to \$2 million for employer's liability and for workers' compensation statutory liability. Property damage claims are self-insured on an occurrence basis up to \$25,000 and insured by the CSAC EIA Property Programs I and II.

The County supplements its self-insurance for medical malpractice claims with an insurance policy that provides annual coverage on an occurrence basis with deductibles of \$1,000,000 for each claim and \$5,000,000 for total annual claims. Maximum coverage under the policy is \$10 million per occurrence with an additional \$15 million in limits provided by the CSAC EIA General Liability II Program.

The activities related to such programs are accounted for in the Risk Management Fund (an Internal Service Fund) except for unemployment insurance and employee dental insurance which are accounted for in the General Fund. The liabilities included in the Risk Management Fund are based upon the results of actuarial studies and include amounts for claims incurred but not reported and allocated loss adjustment expense. The liabilities for these claims are reported using a discounted rate of 5.5%.

The County has an investment agreement with National Westminster Bank to finance the self-insured general liability, automobile liability, workers' compensation and medical malpractice programs. Quarterly disbursements are received by the County for fund reserves and payment of claims. The County's investment in the agreements totaled \$31,189,000 at June 30, 1999.

The claims liability of \$50,615,000 reported at June 30, 1999 is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 6. SELF-INSURANCE - Continued

Changes in the claims liability amount in fiscal years 1998 and 1999 were (in thousands):

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-end</u>
1997-98	\$ 62,668	\$ 5,379	\$ (19,073)	\$ 48,974
1998-99	48,974	19,339	(17,698)	50,615

### 7. LONG-TERM DEBT

The following schedule represents changes in the General Long-Term Debt Account Group for the year ended June 30, 1999 (in thousands):

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
Estimated Liability for Litigation and Self-Insured Claims	\$ 1,197	\$ -	\$ -	\$ 1,197
Employee Compensated Absences	62,727	7,696	-	70,423
Bonds and Notes Payable	1,580,081	-	738,325	841,756
Capital Lease Obligations	2,214	848	1,283	1,779
Other Long-Term Liabilities	1,279	-	853	426
Total General Long-Term Debt	<u>\$ 1,647,498</u>	<u>\$ 8,544</u>	<u>\$ 740,461</u>	<u>\$ 915,581</u>

Other Long-Term Liabilities include \$256,000 of Special Districts and other Loans Payable and \$170,000 of rebatable arbitrage earnings. The United States Treasury's Rebate Regulations, issued May 12, 1989, state that excess investment earnings (calculated in accordance with the regulations) must be submitted to the federal government at the end of each installment computation period (being five bond years). In accordance with each trust agreement, the trustee transfers from the Earnings Funds to the Rebate Fund, for purposes of ultimate rebate to the United States, an amount equal to the Excess Investment Earnings. This calculation is performed every bond year.

A summary of bonds and notes payable recorded in the General Long-Term Debt Account Group and payable from Debt Service Funds is as follows (in thousands):

<u>Certificates of Participation</u>	<u>Interest Rates (%)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>	<u>Outstanding as of 6-30-99</u>
Government Center/Law & Justice	3.00 to 6.00	01-15-92	07-01-16	\$ 89,905	\$ 74,365
Equipment Financing Project	5.00 to 7.25	03-01-92	03-01-02	21,305	7,880
West Valley Detention Center	3.50 to 6.50	05-01-92	10-15-18	117,770	104,300
Sheriff's Facilities Project	4.00 to 6.00	12-01-93	04-01-01	13,005	3,760
Glen Helen Blockbuster (Series C)	VARIABLE	12-01-94	03-01-24	7,380	6,695
Glen Helen Blockbuster (Series D)	VARIABLE	12-06-95	03-01-24	16,510	15,530
Glen Helen Blockbuster (Series E)	VARIABLE	12-06-95	03-01-24	4,430	4,050
Capital Improvement Refinancing (1996)	VARIABLE	06-21-96	11-01-25	9,200	9,200
County Center Refinancing (1996)	VARIABLE	07-11-96	07-01-15	39,600	38,100
Public Improvement Project (1997)	3.85 to 5.00	10-01-97	10-01-25	17,790	17,475
Subtotal					<u>281,355</u>



# NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

## 7. LONG-TERM DEBT - Continued

	Interest Rates (%)	Issue Date	Maturity Date	Original Issue Amount	Outstanding as of 6-30-99
<b>Revenue Bonds</b>					
Pension Obligation (1995)	5.68 to 7.72	11-22-95	08-01-21	386,266	378,381
Landfill Closure Financing Project	6.04 to 7.55	06-01-96	02-01-03	25,390	17,020
Landfill Improvement Financing Project	5.65 to 6.00	07-01-96	08-01-16	90,000	90,000
Public Capital Improvement (1997)	8.30	08-28-97	09-02-00	75,000	75,000
Subtotal					560,401
TOTAL					\$ 841,756

A summary of bonds and notes payable recorded in the Enterprise Funds is as follows (in thousands):

	Interest Rates (%)	Issue Date	Maturity Date	Original Issue Amount	Outstanding as of 6-30-99
<b>Medical Center</b>					
Notes Payable:					
Angio Building Note	6.87	10-10-95	12-03-99	\$ 357	\$ 80
Certificates of Participation:					
Medical Center Project (Series 1994)	4.60 to 7.00	02-01-94	08-01-28	283,245	213,605
Medical Center Project (Series 1995)	4.80 to 7.00	06-01-95	08-01-22	363,265	147,565
Medical Center Project (Series 1996)	5.00 to 5.25	01-01-96	08-01-28	65,070	65,070
Medical Center Project (Series 1997)	4.30 to 4.90	09-01-97	08-01-08	121,095	121,095
Medical Center Project (Series 1998)	4.1895	10-16-98	08-01-26	176,510	176,510
					723,845
Less:					
Deferred Amount on Refunding					(51,581)
Discounts					(16,100)
Net Certificates of Participation					656,164
Subtotal					656,244
<b>Crestline Sanitation District</b>					
Notes Payable:					
Huston Creek Treatment Plant					
Effluent Storage Reservoir:	-	11-01-95	10-01-17	2,160	1,691
<b>County Service Areas</b>					
General Obligation Bonds:					
Spring Valley Lake Sewer Facilities:					
Series A	6.50 to 6.75	02-15-72	02-15-02	1,300	300
Series B	6.10 to 6.15	04-01-74	04-01-04	1,000	355
Series D	7.00 to 9.00	06-01-90	06-01-00	280	35
Helendale Sewer Facilities:					
Series A	5.00	06-01-78	06-01-98	1,550	5
Series B	7.00 to 9.00	06-01-90	06-01-00	450	65
Helendale Water Facilities:					
Series A	6.25 to 7.00	06-01-79	06-01-99	500	10
Series B	7.00	09-01-82	06-01-97	1,450	5
Series D	7.00 to 9.00	06-01-90	06-01-00	618	80

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 7. LONG-TERM DEBT - Continued

	Interest Rates (%)	Issue Date	Maturity Date	Original Issue Amount	Outstanding as of 6-30-99
<b>County Service Areas – Cont.</b>					
Pinion Hills Water Distribution:					
Series A	5.00	03-01-78	03-01-18	1,708	1,177
Series B	5.00	03-01-78	03-01-18	275	175
Series C	9.00 to 11.0	11-01-84	03-01-05	1,518	815
Landers Water Distribution System	5.00	06-01-79	06-01-19	1,540	1,150
Oak Hills Water Distribution Facilities	7.00	09-01-74	09-01-94	750	5
Subtotal					<u>4,177</u>
Notes Payable:					
Morongo Valley Water Facilities	4.50	05-06-64	05-06-04	50	13
Hacienda Water Facilities	5.00	07-14-67	07-14-07	114	43
Subtotal					<u>56</u>
<b>Ultrascreen Theater</b>					
Certificates of Participation:					
Capital Improvement					
Financing (1996)	Variable	06-21-96	11-01-25	7,400	7,400
Total Enterprise Funds					<u>\$ 669,568</u>

Not included above, but carried in the Debt Service Fund, are \$20,000 in matured bonds payable for the Chino Civic Center Authority, a JPA that financed the Chino Library facility.

General Obligation Bonds are issued to provide funds for the acquisition and construction of major capital facilities. These bonds are backed by the full faith and credit of the County, and revenue for the retirement of such bonds is provided by ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds.

Certificates of Participation (COP) are secured by annual lease payments payable by the County for use of the facilities constructed or acquired from the COP proceeds. The County has created nonprofit organizations and joint powers authorities to issue the Certificates. The County leases various projects from the authorities. The lease payments are used by the authorities to pay interest on, and principal of, the COPs.

The Certificates of Participation contain certain bond covenants which are deemed by the County to be duties imposed by law. The County must include the applicable lease-purchase payments due each year in its annual budget and make the necessary appropriations. The County is also covenanted to maintain certain levels of liability, property damage, casualty, rental interruption and earthquake insurance in connection with each lease-purchase agreement. The County is in compliance with all significant financial restrictions and requirements as set forth in its various debt covenants.

In prior years, the County has defeased certain Certificates of Participation by placing the proceeds of new Certificates in an irrevocable trust to provide for all future debt service payments on the old Certificates. Accordingly, the trust account assets and the liability for the defeased Certificates are not included in the County's General Purpose Financial Statements. At June 30, 1999, approximately \$577,780,000 of outstanding debt is considered defeased.

The Joint Powers Authorities have issued Revenue Bonds, with a June 30, 1999 outstanding balance of \$560,401,000, for the purpose of enabling the County to acquire certain qualified obligations (the "Obligations") to finance outstanding pension indebtedness, to provide reimbursement for the cost of land, buildings, equipment and other public capital improvements within the County. The Obligations may be in the form of assessment district bonds, community facilities district (or Mello-Roos) bonds, general obligation bonds, revenue bonds, notes, or lease-purchase agreements.

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 7. LONG-TERM DEBT - Continued

In prior years, the County has defeased certain Revenue Bonds by liquidating investments held and placing the proceeds in an irrevocable trust to provide for all future debt service payments on the Bonds. Accordingly, the trust account assets and the liability of \$40,400,000 for the defeased Bonds are not included in the County's General Purpose Financial Statements. This amount, together with the \$577,780,000 of Certificates of Participation mentioned above, totals \$618,180,000 of outstanding debt that is considered defeased.

The following is a schedule of debt service requirements to maturity as of June 30, 1999 for bonds and notes payable in the General Long-Term Debt Account Group (in thousands):

<b>Year Ending June 30,</b>	<b>Certificates of Participation</b>	<b>Revenue Bonds</b>	<b>Total</b>
2000	\$ 27,476	\$ 39,744	\$ 67,220
2001	27,211	112,881	140,092
2002	25,441	36,079	61,520
2003	22,440	37,467	59,907
2004	22,479	38,324	60,803
2005-2009	112,421	215,991	328,412
2010-2014	110,762	264,723	375,485
2015-2019	84,141	302,257	386,398
2020-2024	16,157	200,065	216,222
2025-2029	2,707	-	2,707
Subtotal	451,235	1,247,531	1,698,766
Less: Interest	169,880	687,130	857,010
Total Principal	<u>\$ 281,355</u>	<u>\$ 560,401</u>	<u>\$ 841,756</u>

The following is a schedule of debt service requirements to maturity as of June 30, 1999 for bonds and notes payable in the Enterprise Funds (in thousands):

<b>Year Ending June 30,</b>	<b>General Obligation Bonds</b>	<b>Notes Payable</b>	<b>Certificates of Participation</b>	<b>Total</b>
2000	\$ 808	\$ 199	\$ 40,268	\$ 41,275
2001	571	118	55,914	56,603
2002	570	117	55,911	56,598
2003	497	117	56,007	56,621
2004	492	118	55,996	56,606
2005-2009	1,212	561	280,852	282,625
2010-2014	1,036	540	202,716	204,292
2015-2019	909	71	203,126	204,106
2020-2024	-	-	203,643	203,643
2025-2029	-	-	202,973	202,973
Subtotal	6,095	1,841	1,357,406	1,365,342
Less: Interest	1,918	14	626,161	628,093
Total Principal	4,177	1,827	731,245	737,249
Less:				
Deferred Amount on Refunding	-	-	51,581	51,581
Discount	-	-	16,100	16,100
Total Bonds and Notes Payable	<u>\$ 4,177</u>	<u>\$ 1,827</u>	<u>\$ 663,564</u>	<u>\$ 669,568</u>

The County issues Single Family Mortgage Revenue Bonds to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single family residences. Additionally, the County issues Multi-Family Mortgage Revenue Bonds to finance the construction of multi-family apartment projects in the County. These programs assist persons and families of low and moderate income within the County to afford the costs of decent, safe and sanitary housing. The bonds will be payable solely from

## **NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

### **7. LONG-TERM DEBT - Continued**

and secured by a pledge of payment received on the acquired mortgage loans, certain insurance with respect thereto, and other monies pledged under the bond resolution. The bonds do not represent a liability of the County and, as such, do not appear in the accompanying General Purpose Financial Statements.

The County acts as an agent for the property owners benefited by the projects financed from special assessment bond proceeds, in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if appropriate. Special assessment bonds (\$4,354,000 at June 30, 1999) do not represent a liability of the County and, as such, do not appear in the accompanying General Purpose Financial Statements.

### **8. ADVANCE REFUNDINGS**

#### **MEDICAL CENTER PROJECT**

The County issued Certificates of Participation dated October 22, 1998 in the amount of \$176,510,000. The County will pay a fixed rate of 4.1895% on the issued Certificates. The proceeds from the issuance were used principally to provide funds for the advance refunding of \$160,700,000 of the outstanding 1995 Certificates of Participation (the "Prior Certificates"). The Prior Certificates bear interest from 4.80 percent to 7.00 percent and mature on August 2, 2022.

The proceeds from the advance refunding of the Prior Certificates were used to purchase Government Securities, and those securities were deposited in an irrevocable trust with an escrow agent, to provide debt service until the remaining outstanding Prior Certificates mature. The advance refunding met the requirements of an in-substance defeasance and outstanding Prior Certificates were removed as a liability of the County. As of June 30, 1999 the amount of debt outstanding but removed from the County's accounting records amounted to \$160,700,000.

As a result of the advance refunding, the County has potentially reduced its debt requirements by \$23,727,000 due to a longer period of repayments. This results in an economic gain (difference between the present value of debt service payments in the old and new debt) of \$15,867,000.

### **9. SUBSEQUENT EVENTS**

In July 1999, the County issued Tax and Revenue Anticipation Notes ("TRANS") totaling \$237,000,000 due September 29, 2000, at an interest rate of 3.75%. This issue followed the prior year issued TRANS of \$200,000,000 which was repaid September 30, 1999. The proceeds of the TRANS are intended to provide financing for 1999-2000 General Fund expenditures, including current expenditures, capital expenditures and the discharge of other obligations or indebtedness of the County. The TRANS are secured by a pledge of various monthly amounts of property taxes on the secured roll.

On November 2, 1999, the County Board of Supervisors adopted a resolution authorizing the issuance of \$100 million of Inland Empire Solid Waste Financing Authority bonds. Proceeds from the taxable variable rate demand revenue bonds will be used for improvements to various San Bernardino County landfill sites and facilities and to refund \$90 million of revenue bonds issued on July 1, 1996 (see Note 7).

Also on November 2, 1999, the County Board of Supervisors approved various actions related to the sale of the County's Ultrascreen Theater. The County expects to receive approximately \$3 million from the sale of the facility and equipment and plans to apply the proceeds to the applicable \$7.4 million outstanding debt issue.

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 10. LEASES

#### CAPITAL LEASES

The following is a schedule of future minimum lease payments, payable from the General Fund and certain Special Revenue Funds, Enterprise Funds and Internal Service Funds under capital leases as of June 30, 1999 (in thousands):

Year Ending June 30,	General Long-Term Debt Account Group	Enterprise Funds	Internal Service Funds
2000	\$ 992	\$ 1,434	\$ 897
2001	469	765	405
2002	336	501	137
2003	96	377	-
2004	5	261	-
Total Minimum Payments	1,898	3,338	1,439
Less: Amount Representing Interest	119	357	65
Present Value of Minimum Lease Payments	<u>\$ 1,779</u>	<u>\$ 2,981</u>	<u>\$ 1,374</u>

The following is a schedule of property under capital leases by major classes at June 30, 1999 (in thousands):

	General Fixed Assets Account Group	Enterprise Funds	Internal Service Funds
Land, Structures and Improvements	\$ -	\$ 6,245	\$ -
Equipment	5,972	327	7,428
Subtotal	5,972	6,572	7,428
Less: Accumulated Amortization	-	3,470	6,135
Total	<u>\$ 5,972</u>	<u>\$ 3,102</u>	<u>\$ 1,293</u>

#### OPERATING LEASES

The following is a schedule by years of future minimum rental payments, principally for the General Fund, required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 1999 (in thousands):

Year Ending June 30,	
2000	\$ 17,431
2001	17,338
2002	15,312
2003	14,521
2004	13,275
After 2004	47,635
Total Minimum Payments	<u>\$ 125,512</u>

Rental expense was \$15,141,000, principally in the General Fund, for the year ended June 30, 1999.

### 11. CONTRIBUTED CAPITAL

During Fiscal Year 1998-99 Medical Center contributed capital increased \$1,083,000 (see Note 14). There were no additional changes to contributed capital in any other Enterprise or Internal Service funds.

# NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

## 12. RETAINED DEFICITS OF INDIVIDUAL FUNDS

### ENTERPRISE FUNDS

The Medical Center retained deficit of \$26,837,000 is expected to be eliminated in future years through future rate increases and/or possible contributions from the General Fund.

The Waste Systems Division retained deficit of \$45,893,000 is expected to be eliminated in future years through rate increases and non-operating interest earnings on investments.

The Ultrascreen Theater retained deficit of \$1,609,000 is not expected to improve in fiscal year 1999-2000. The County plans to sell the Ultrascreen Theater (see Note 9). Even with the sale, an operating transfer from the General Fund may be necessary to cover the retained deficit.

### INTERNAL SERVICE FUNDS

The Risk Management retained deficit of \$3,707,000 is anticipated to be eliminated in subsequent years through rate increases.

## 13. RESERVED AND DESIGNATED FUND BALANCES

Fund balances which are not available for appropriation at June 30, 1999 are reserved or designated for the following purposes (in thousands):

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Pension Investment and Expendable Trust</u>
Reserved:					
Encumbrances	\$ 14,233	\$ 14,597	\$ -	\$ 2,046	\$ -
Prepaid Items	498	33	-	-	-
Pension and Other Benefits	-	-	-	-	3,112,497
Investment Pool Participants	-	-	-	-	857,870
Advances to Other Funds	775	303	-	-	-
Debt Service	-	-	198,588	-	-
Inventories	1,033	613	-	-	-
Endowments	-	-	-	-	447
Revolving Fund Cash	375	22	-	-	-
Revolving Fund for County Service Area Loans	500	-	-	-	-
Deposits with Others	-	131	-	-	-
Reserved Fund Balance	<u>\$ 17,414</u>	<u>\$ 15,699</u>	<u>\$ 198,588</u>	<u>\$ 2,046</u>	<u>\$ 3,970,814</u>

	<u>General</u>	<u>Special Revenue</u>
Designated:		
Economic Uncertainty	\$ 11,428	\$ -
Subsequent Years' Expenditures	10,331	8,501
Medical Center Debt Service	11,532	-
Leaseback Security	7,300	-
Justice Facilities	5,212	-
West Valley Maximum Security	587	-
Designated Fund Balance	<u>\$ 46,390</u>	<u>\$ 8,501</u>

Deposits with others primarily consist of cash held in banks for special activities of Park Districts.

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 13. RESERVED AND DESIGNATED FUND BALANCES – Continued

Designations represent funds earmarked for the specific purposes indicated and are tentative plans of the County. Such plans are subject to change and may not result in expenditures for the indicated purpose.

Retained earnings which are not available at June 30, 1999 are reserved for the following purposes (in thousands):

	<u>Enterprise</u>	<u>Internal Service</u>
Reserved:		
Site Closure and Maintenance	\$ 43,139	\$ -
Groundwater Detection Monitoring and Remediation	2,229	-
Vehicle/Equipment Replacement	-	7,439
Capital Improvements	-	535
Total	\$ <u>45,368</u>	\$ <u>7,974</u>

### 14. COMPLETION OF MEDICAL CENTER

During fiscal year 1998-99, the County completed the Arrowhead Regional Medical Center (Medical Center) project. The Medical Center is classified as a Level II trauma center with eight trauma bays and four additional "swing" trauma rooms that can be used during an emergency. In addition, the Medical Center provides 373 patient beds and has 24 private treatment rooms for diagnosis and treatment of urgent care patients.

In 1991, the County Board of Supervisors approved the construction and financing plan of the Medical Center project. Inland Empire Public Facilities Corporation financed the project through the issuance of Certificates of Participation. Accordingly, during construction, the Medical Center's project construction costs, bond issues, and related transactions were reported as part of the County's governmental funds and account groups. During the year, the Medical Center project assets and liabilities were contributed to the Medical Center Enterprise Fund as follows (in thousands):

<u>Fund/Account Group</u>	<u>Assets</u>	<u>Liabilities</u>
Debt Service	\$ 118,818	\$ -
Capital Projects	61,624	4,843
General Fixed Assets	500,981	-
General Long-Term Debt	-	675,580
Total	\$ <u>681,423</u>	\$ <u>680,423</u>

The assets and liabilities contributed by the governmental funds are reported as residual equity transfers and total \$175,599 at June 30, 1999.

The difference between contributed assets and liabilities of approximately \$1 million has been reported as contributed capital (see Note 11). Senate Bill 1732 was passed by the California Legislature and signed into law in October 1998. The law permits qualifying Medical Centers to receive reimbursement, in addition to their Medi-Cal contract reimbursement, for a portion of the debt service of qualified Projects. The Medical Center expects to receive proceeds equal to 50% of the total debt service costs under SB 1732.

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 15. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

The Annual County Budget is prepared, approved and adopted in accordance with provisions of the County Budget Act. In preparing the budget, the County utilizes a basis of accounting which is different from the basis prescribed by generally accepted accounting principles ("GAAP"). The accompanying Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis - General Fund, certain Special Revenue Funds, and certain Capital Projects Funds presents comparisons of the legally adopted budget (see Note 1) with actual data on a budgetary basis. The following adjustments are necessary to provide a meaningful comparison of the actual results of operation with the budget (in thousands):

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Fund balance - budgetary basis	\$ 65,969	\$ 87,094	\$ 580
Outstanding encumbrances for budgeted funds	14,233	14,597	2,046
Fund balance of non-budgeted funds	-	1,772	10,002
Fund balance - GAAP basis	<u>\$ 80,202</u>	<u>\$ 103,463</u>	<u>\$ 12,628</u>

### 16. MEDICARE AND MEDI-CAL PROGRAMS

The Medical Center provides services to eligible patients under Medi-Cal and Medicare programs. For the year ended June 30, 1999, the Medi-Cal program represented 46% and the Medicare program represented approximately 12% of the Medical Center's net patient service revenues. Medi-Cal inpatient services are reimbursed at a contractually agreed-upon per diem rate and outpatient services are reimbursed under a cost-reimbursement methodology. Medicare inpatient services are reimbursed based upon pre-established rates for diagnostic-related groups. Outpatient services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost-reimbursement methodology. Final reimbursement is determined as a result of audits by the intermediary of annual cost reports submitted by the Medical Center. Reports on the results of such audits have been received through June 30, 1998 for Medicare and Medi-Cal, respectively. Adjustments as a result of such audits are recorded in the year the amount can be determined.

### 17. COMMITMENTS AND CONTINGENCIES

The County has been named as a defendant in numerous lawsuits and claims arising in the normal course of operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable loss to the County, such loss has been accrued in the accompanying General Purpose Financial Statements. In the opinion of County management and County Counsel, the ultimate outcome of the remaining claims cannot be determined at this time.

The County recognizes as revenue, grant moneys received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the County's grant programs are being audited through June 30, 1999 in accordance with the provisions of the Single Audit Act of 1996, these programs are still subject to financial and compliance audits and resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

A California Supreme Court ruling on a Ventura County case changed the retirement benefit calculations for pension plans operating under the California County Retirement Act of 1937. The ruling requires that "final compensation" and "compensation earnable" be recalculated as defined by California Government Code Sections 31462.1 and 31461, respectively. As discussed in Note 20, management of SBCERA has elected to recognize a liability totaling \$230,478,000 as a result of this ruling. Currently, SBCERA management has not finalized a plan to fund the liability. Accordingly, the financial impact to the County, if any, is unknown at this time. In addition, pending lawsuits resulting from this ruling may further change



## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 17. COMMITMENTS AND CONTINGENCIES – Continued

retirement contributions and benefits. However, the impact of such changes, if any, cannot be determined at this time.

The County has entered into several contractual agreements for the construction and/or improvement of several capital projects. These commitments include \$1,959,000 for various projects of the Capital Improvements Fund.

### 18. SEGMENT INFORMATION

The County has seven Enterprise Fund segments that provide medical, sanitation, water, ambulance, solid waste management services and various other miscellaneous services. Segment information, as of and for the year ended June 30, 1999, is as follows (in thousands):

	Medical Center	Crestline Sanitation District	County Service Areas	Fire Protection Districts- Ambulance
Operating revenues	\$ 178,074	\$ 1,385	\$ 7,026	\$ 878
Tax revenue	-	801	3,207	-
Grant revenue	-	124	256	-
Depreciation and amortization expense	8,542	568	2,226	106
Operating income (loss)	(17,734)	(694)	(3,449)	677
Operating transfers to other funds	-	-	(651)	(943)
Operating transfers from other funds	458	-	153	-
Net income (loss)	(24,306)	356	60	(334)
Property:				
Additions	586,737	2,683	3,262	61
Deletions	35,536	2,200	1,970	-
Net working capital	61,238	4,627	14,002	475
Total assets	733,785	15,330	61,817	974
Long-term liabilities:				
Advances from other funds	3,576	-	-	-
Bonds and notes payable	656,244	1,691	4,233	-
Capital lease obligations	2,506	-	435	-
Employee compensated absences	4,813	100	-	-
Estimated liability for closure/post closure care costs	-	-	-	-
Current capital contributions and transfers	1,083	-	-	-
Total fund equity	13,730	13,495	56,561	751

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 18. SEGMENT INFORMATION – Continued

	Waste Systems Division	Ultrascreen Theater	Other Enterprise	Totals
Operating revenues	\$ 42,394	\$ -	\$ 95	\$ 229,852
Tax revenue	-	-	-	4,008
Grant revenue	-	-	-	380
Depreciation and amortization expense	6,007	504	-	17,953
Operating income (loss)	(43,536)	(1,687)	(1,278)	(67,701)
Operating transfers to other funds	(4,999)	-	-	(6,593)
Operating transfers from other funds	2,878	600	900	4,989
Net income (loss)	(44,649)	(1,475)	8	(70,340)
Property:				
Additions	39,909	-	-	632,652
Deletions	17,919	-	-	57,625
Net working capital	3,520	(64)	179	83,977
Total assets	139,771	6,405	181	958,263
Long-term liabilities:				
Advances from other funds	-	500	-	4,076
Bonds and notes payable	-	7,400	-	669,568
Capital lease obligations	40	-	-	2,981
Employee compensated absences	148	-	1	5,062
Estimated liability for closure/post closure care costs	172,981	-	-	172,981
Current capital contributions and transfers	-	-	-	1,083
Total fund equity (deficit)	(42,306)	(1,609)	178	40,800

### 19. CLOSURE AND POSTCLOSURE CARE COSTS

State Financial Assurance Mechanism regulations require landfill operators to set aside funds, or provide alternative funding mechanisms, to fund the closure and postclosure maintenance of landfills. The funding must be completed prior to the final date of closure. These regulations apply only to those landfills operating prior to 1989. The closure and postclosure care costs of other landfills not subject to these State regulations is funded separately in the Site Closure and Maintenance Fund.

Closure and postclosure care costs include, but are not limited to, such items as final cover, groundwater monitoring, well installations and landfill gas monitoring systems.

The twenty (20) landfills listed below (with their estimated remaining lives shown in parenthesis) are those currently subject to the State regulations:

Apple Valley (Inactive)	Lenwood-Hinkley (Inactive)	Phelan (Inactive)
Baker (Inactive)	Lucerne Valley (Inactive)	San Timoteo (26)
Barstow (31)	Mid-Valley (26)	Trona-Argus (Inactive)
Big Bear (3)	Milliken (Inactive)	Twentynine Palms (Inactive)
Colton (5)	Morongo Valley (Inactive)	Victorville (28+)
Hesperia (Inactive)	Needles (Inactive)	Yermo (Inactive)
Landers (28+)	Newberry Springs (Inactive)	

The landfill closure and postclosure care cost estimate of \$102,647,000 and \$155,348,000, respectively, are based upon the most recently submitted Closure/Postclosure Maintenance Plan documents filed with

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 19. CLOSURE AND POSTCLOSURE CARE COSTS – Continued

the State and Federal permitting agencies. If, at some future date, these closure cost estimates are adjusted (due to changes in inflation, technology, regulations, etc.), the County is required to make corresponding changes in the amount of funds deposited for closure.

Each year a portion of each landfill's estimated closure and postclosure cost is recognized as an expense and liability based upon the amount of capacity used during the year. As of June 30, 1999, the cumulative liability recorded by the County based upon individual landfill capacity usage was \$204,456,000. The remaining \$53,539,000 of estimated closure and postclosure costs will be recorded and funded as landfill capacity is used. Closure and postclosure related expenditures of \$31,475,000 have been paid which reduced the landfill closure and postclosure liability to \$172,981,000 at June 30, 1999.

The County has restricted cash and cash equivalents for the payment of closure care costs in the amount of \$39,661,000, of which \$4,115,000 is shown on the Waste Systems Division Enterprise Fund as restricted cash and cash equivalents and the remaining balance of \$35,546,000 is included with investments on the Joint Powers Authorities Debt Service Fund.

Current State regulations allow public agencies to demonstrate financial assurance for postclosure maintenance costs through a "Pledge of Revenue" mechanism. This mechanism allows agencies to pledge a reliable future revenue source to fund the required postclosure maintenance at each landfill site for thirty years after landfill closure. The County has pledged a portion of its future tipping fees and investment earnings from the Waste Systems Division Enterprise Funds to fund these costs.

### 20. RETIREMENT PLAN

#### PLAN DESCRIPTION

The SBCERA is a cost-sharing multiple-employer defined benefit pension plan (the "Plan") operating under the California County Employees Retirement Act of 1937 ("1937 Act"). It provides retirement, death, and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, the City of Chino Hills, the California State Association of Counties, the San Bernardino County Law Library, Crest Forest Fire Protection District, Mojave Desert Air Quality Management District (MDAQMD) and the South Coast Air Quality Management District (the "AQMD"), were later included, along with the County of San Bernardino (the "County"), and are collectively referred to as the "Participating Members." The plan is governed by the San Bernardino Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 195 North Arrowhead Avenue, San Bernardino, California 92415-0014.

#### FUNDING POLICY

Participating members are required by statute (Sections 31621, 31621.2 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry into the Plan. Employee contribution rates vary according to age and classification (general or safety). Members are required to contribute 7.11% - 10.58% of their annual covered salary of which the County pays approximately 7%. Employers are required to contribute 6.67% - 14.46% of the current year covered payroll. For 1999, the County's annual pension cost of \$48,667,000 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Section 31453 of the 1937 Act.

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 20. RETIREMENT PLAN - Continued

The following table shows the County's required contributions and the percentage contributed, for the current year and each of the two preceding years (in thousands):

<u>Year Ended June 30,</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
1997	\$72,577	100%
1998	60,014	100%
1999	48,667	100%

The County, along with the AQMD, issued Pension Obligation Refunding Bonds (the "Bonds") in November 1995 with an aggregate amount of \$420,527,000. These Bonds were issued to allow the County and the AQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266,000. The current amount outstanding at June 30, 1999 is \$378,381,000 (see Note 7).

In April 1998 and February 1999, SBCERA was named as a defendant in two lawsuits filed in the Superior Court of California, County of San Bernardino (the "Court"), by the San Bernardino County Sheriff's Employees' Benefit Association and three retired safety officers and by the San Bernardino Public Employees Association and three retired members (collectively, the "Plaintiffs"). The Plaintiffs are seeking to force the SBCERA Board of Retirement to recalculate "final compensation" as it is defined in Government Code Section 31462.1 and "compensation earnable" as defined in Government Code Section 31461, in accordance with the California Supreme Court Ventura decision, and to recalculate the resulting pensions of retired members, including beneficiaries, who were receiving pension payments on or after October 1, 1994, both prospectively and retroactive to that date. This recalculation would result in increased employer and employee contributions to the Plan and increased benefits and refunds paid to participants and beneficiaries. Similar litigation has also been filed against several of the other 1937 Act pension funds. A motion to coordinate all of the litigation, including the above mentioned cases in one superior court has been granted and a Superior Court Judge and the County of San Francisco was appointed by the Judicial Council to decide these cases. The Board of Retirement has authorized its legal counsel to vigorously contest this case. In addition, the Board of Retirement has also authorized its legal counsel to oppose the motion for coordination. Management of SBCERA believes, based in part on discussions with legal counsel, that the likelihood of an unfavorable outcome is high. Based on calculations made by SBCERA's actuary, and assuming various alternative findings by the Court, the liability associated with this matter is estimated to be approximately \$230,478,000 as of June 30, 1999. A provision for this loss contingency that may result is included in the accompanying financial statements of the Pension Trust.

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

### 21. RESTATEMENT OF RETAINED EARNINGS

#### WASTE SYSTEMS DIVISION

Prior to July 1, 1998, Waste Systems Division Enterprise Fund did not properly reduce the estimated liability for closure/postclosure care costs for items paid that had not yet been approved by the California Integrated Waste Management Board (CIWMB). The Waste Systems Division corrected this error during the fiscal year ended June 30, 1999.

The effect of this adjustment on retained earnings at June 30, 1998 is as follows (in thousands):

	<u>Enterprise</u>
Retained earnings June 30, 1998, as previously reported	\$ 16,302
Adjustment to reduce estimated liability for closure/postclosure care costs	<u>13,358</u>
Retained earnings July 1, 1998, as restated	<u>\$ 29,660</u>